

# Memorandum

**To:** Chairman and Commissioners

**Date:** November 21, 2003

**From:** Jack Kemmerly  
Chair, CTC Technical Advisory Committee on Aeronautics

**File No:** Ref # 4.1

**ACTION**

**Ref:** **TACA Recommendation for Commission Support of Upcoming Legislation on Program**

## **Issue:**

Should the Commission support Senate Bill 1048 in the upcoming legislative session?

## **Recommendation:**

The Commission's Technical Advisory Committee on Aeronautics (TACA) recommends that the Commission to support Senate Bill 1048 in the upcoming legislative session. Senate Bill 1048 would restore approximately \$4.8 million to California's aeronautics grant programs.

Last fiscal year the Commission showed its support by writing a letter to the Administration questioning the transfer of \$6 million from the Aeronautics Account and recommending that if it were transferred that it be a loan. This fiscal year approximately \$4.8 million was transferred from the Aeronautics Account the General Fund. The Commission's continued support in the upcoming year would help persuade the Legislature that funding the maintenance and improvement of California's vital aviation transportation system is necessary to maintaining aviation's contributions to the State's economy.

## **Discussion:**

Assembly Bill 1765, as part of the FY 2003-04 State Budget, transferred \$4.8 million the Aeronautics Account to the General Fund. SB 1048 would have reversed the transfer, but the bill was referred back to committee. It is essential that these funds be restored to support California's aeronautics programs, especially grants to airports. Without these grant programs, many California airports would be seriously impacted in the areas of safety, security, and capacity. The funds from these grant programs also leverage federal Airport Improvement Program grants and provide a return of approximately \$20 in federal funds for every state dollar. The users of the aviation system provide over \$100 million in aviation and jet fuel sales tax to the General Fund every year. In addition to the sales tax revenues, the users of the aviation transportation system provide jobs, revenues, and pay taxes. The aviation and jet fuel sales tax funds are derived from users of the aviation system and should not be diverted to other uses.

# Memorandum

**To:** Chairman and Commissioners

**Date:** December 2, 2003

**From:** Diane C. Eidam

**Ref No:** 5.3a.  
ACTION

**Ref:** **Technical Advisory Committee On Aeronautics Report On Aviation Issues**

**Issue:** Should the Commission accept its Technical Advisory Committee On Aeronautics (TACA) Report On Aviation Issues for inclusion in its Annual Report?

**Recommendation:** Staff recommends that the Commission accept the attached TACA Annual Report on aviation issues for inclusion in the Commission's Annual Report.

**Summary:** During 2003, TACA:

- recommended that the CAAP Acquisition and Development match rate be 10%, which the Commission affirmed at its April 2003 meeting.
- recommended that the Commission approve the Capital Improvement Program of the California Aviation System Plan, which the Commission did at its September 2003 meeting.
- recommended that the Commission, when the Aeronautics Program budget was reduced by a \$6 million transfer to the General Fund, to restrict allocations to providing matching funds for federal projects and to A&D funding for safety projects and that other projects ready for allocation were placed on a pending list. When the 2003 Budget Act transferred another \$4.762 million from the Account, TACA recommended that the Commission halt all allocations, which the Commission did.
- has continued to focus on a comprehensive review of the role and responsibilities of the Caltrans Division of Aeronautics and the funding sources for the various state programs related to aviation.
- participated in an advisory group to the Caltrans Aeronautics Division in developing "Aviation in California: Benefits to Our Economy and Way of Life".
- worked to secure passage of AB 332 (Mullin) to clarify that school districts and community college districts are subject to an airport land use compatibility plan.

TACA also continues to recommend that:

- the Legislature identify additional funding for Aeronautics. (The Commission noted at its October meeting that consideration should be given to increasing the excise tax on General Aviation jet fuel to compensate for the declining revenues resulting from General Aviation gasoline use.)

- the Aeronautics Account should be treated in the same manner as other transportation-related funds, and the transfers should be loans that are repaid with interest at a specified future date.
- its White Paper recommendations, which the Commission included in its 2001 Annual Report, continue to be pursued to:
  - Provide sufficient revenues through a new state sales tax or redirection of the state sales tax on jet fuel to supplement federal revenues to fund \$20 million in new security enhancements and infrastructure at smaller commercial and General Aviation airports.
  - Provide at least \$5 million in revenues to protect the long-term operational integrity of airports by funding updates of Comprehensive Land Use Plans.
  - Adopt a long-term investment strategy to provide \$20-40 million per year for safety and capacity improvements at general aviation airports.
  - Authorize and fund the Division of Aeronautics to promote better use of existing system capacity through information programs.
  - Authorize and fund the Division of Aeronautics to secure federal grants for smaller airports to insure that California receives the maximum amount of federal funding and use state funds.

Lastly, aviation is an important aspect of the State's transportation system. California needs to understand aviation's economic impact on California. Accordingly, TACA participated as part of the advisory group that oversaw the preparation of the report, "Aviation in California: Benefits to Our Economy and Way of Life". The report, presented to the Commission at its December meeting, revealed that the aviation sector provided 1.7 million jobs (nearly 9%) of the State's total 19.5 million jobs and contributed \$110.7 billion (8.5%) out of \$1.3 trillion of the Gross State Product.

Attachment

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## **2003 ACTIVITY AND ACCOMPLISHMENTS**

### **Aeronautics Program**

The Aeronautics Program is funded through the State Aeronautics Account, which receives revenues from general aviation jet fuel and gasoline excise taxes. The three-year Aeronautics Program provides state funding as part of the local match for Federal Airport Improvement Program (AIP) grants, and funding for capital outlay projects through California Aid to Airports Program (CAAP) Acquisition and Development (A&D) grants for airport rehabilitation, safety and capacity improvements at public-use airports. The Commission is required annually to establish a rate between 10% and 50% that local governments must match to receive A&D grants. In April 2003, the Commission re-affirmed the 10% local A&D match requirement. In September 2003, the Commission acted to approve the Capital Improvement Program of the California Aviation System Plan. The Capital Improvement Program (CIP) is updated every two years, and this update will serve as the fiscally unconstrained basis for Department's 2004 Aeronautics Program.

The 2002 Aeronautics Program included 59 CAAP projects for \$17.963 million. In 2002, the Aeronautics Program was severely undercut by a \$6 million budget transfer from the Aeronautics Account to the General Fund and by an actual revenue shortfall of \$1.5 million. In response to the reduced funding, the Commission acted, upon the recommendation of the Department and the Commission's Technical Advisory Committee on Aeronautics, to restrict allocations to providing matching funds for federal projects and to A&D funding for safety projects. Other projects ready for allocation were placed on a pending list. The 2003 Budget Act transferred another \$4.762 million from the Account. This second budget action forced the Commission to halt all allocations. By the October 2003 meeting, 72 projects (\$5,034,207) were pending, which included 2 A&D safety projects, 57 AIP matching, and 13 non-safety A&D projects. In late November, however, the State Board of Equalization informed the Department that the amount of revenue transferred into the Aeronautics Account was less than it should have been. With the correction of the revenue transfer, the pending list was reduced to \$1.5 million for 13 projects at the December Commission meeting.

### **Commission's Aviation Responsibilities**

The Commission's primary responsibilities regarding aeronautics include:

- advising and assisting the Legislature and the Secretary of the Business, Transportation and Housing (BT&H) Agency in formulating and evaluating policies and plans for aeronautics programs;
- adopting the California Aviation System Plan (CASP); a comprehensive plan defining state policies and funding priorities for general aviation and commercial airports in California; and
- adopting and allocating funds under the three-year Aeronautics Program, which directs the use of State Aeronautics Account funds to:
  - provide a part of the local match required to receive Federal AIP grants; and
  - fund A&D capital outlay projects for airport rehabilitation, safety and capacity improvements at public-use airports.

### **Technical Advisory Committee on Aeronautics (TACA)**

Section 14506.5 of the California Government Code states, "The Chairman [of the California Transportation Commission] shall appoint a Technical Advisory Committee on Aeronautics (TACA), after

consultation with members of the aviation industry, airport operators, pilots, and other aviation interest groups and experts, as appropriate. This TACA shall give technical advice to the Commission on the full range of aviation issues to be considered by the Commission.” The current membership of TACA includes representatives from airport businesses, aviation divisions of large companies, air cargo companies, pilots and aircraft owners, managers of commercial and rural airports, managers of operations at major commercial airports, metropolitan planning organizations, and Federal and State Aviation Agencies. Currently, TACA is seeking candidates to recommend to the Commission to fill vacant slots on TACA.

This statutorily mandated advisory committee lends its expertise to the Commission as it carries out its responsibility in advising the Secretary of the BT&H Agency and the Legislature on State policies and plans for transportation programs in California. During 2003, TACA has continued to focus on a comprehensive review of the role and responsibilities of the Caltrans Division of Aeronautics and the funding sources for the various state programs related to aviation. TACA has been working with Caltrans, the BT&H Agency, and the Technology, Trade and Commerce Agency to identify potential roles and policies for the State in developing California’s aviation system. TACA members participated in an advisory group to the Caltrans Aeronautics Division in developing “Aviation in California: Benefits to Our Economy and Way of Life”. TACA members also worked to secure passage of AB 332 (Mullin) to clarify that school districts and community college districts are subject to an airport land use compatibility plan. Under AB 332, a process is also established that allows, for the first time, the local airport land use commission and the Department’s Division of Aeronautics to make advisory comments to a local agency within 30 days of receiving the agency’s proposed overrule and supporting findings.

The members of the Technical Advisory Committee on Aeronautics are:

- Michael Armstrong, Principal Planner, Southern California Association of Governments
- Daniel Burkhart, TACA Vice Chairman, Director of Regional Programs, National Business Aviation Association
- Curt Castagna, President/CEO, Aerolease/Aeroplex Group
- Jack Kemmerly, TACA Chairman, Director of California Operations, Exceptional Strategies, Inc.
- Chris Kunze, Manager, Long Beach Airport
- Harry A. Krug, Association of California Airports, Airport Manager, Colusa County Airport
- Mark F. Mispagel, Attorney/Consultant, Law Offices of Mark F. Mispagel
- John Pfeifer, Aircraft Owners and Pilots Association (AOPA), California Regional Representative
- Austin Wiswell, Ex Officio, Chief, Division of Aeronautics, California Department of Transportation
- Vacant, Ex Officio, Federal Aviation Administration

### **FY 2003-04 Budget**

Last year in the 2002 Budget, \$6 million (65% of the annual revenue originally budgeted) was transferred from the Aeronautics Account to the General Fund. The Commission wrote a letter to the Administration expressing concern over the move and the impact it would have on Aeronautics.

The adoption of the 2003 Budget resulted in more cuts. \$4.762 million was transferred from the Aeronautics Account to the General Fund. As a result, Caltrans and TACA recommended reluctantly that the Commission suspend allocations to all airport projects. According to the Department of Finance, the transfer of aviation funds is permissible. However, the Federal Aviation Administration (FAA), in a letter of August 14, 2003, raised concerns about the legality of transferring aviation funds to the General Fund.

The Department should validate with the FAA its comments regarding the legality of the fund transfer. Over the long term, California must identify additional funding for the Aeronautics Program. One logical

source of funds is to utilize a higher percentage of the \$250.2 million in taxes already paid by the aviation community. Currently only about 3.2% of that amount is goes to the Aeronautics fund. Additionally, the Legislature should prohibit any permanent transfer of from the Aeronautics Account to the General Fund. The Aeronautics Account should be treated in the same manner as other transportation-related funds, and the transfers should be treated as loans to be repaid with interest at a specified future date.

### **Long Term Funding for Aeronautics Program**

In the Commission's 2001 Annual Report regarding "The State's Role in Aviation", the Commission reported that a funding gap was occurring between the revenues available versus infrastructure and security needs. At its November 2003 special meeting on the fund estimate, the Commission noted that a disparity exists between the excise tax for aviation gasoline at 18¢ per gallon and General Aviation jet fuel tax at 2¢ per gallon. The Commission was informed that the use of aviation gasoline is declining while General Aviation jet fuel is increasing. Accordingly, the Commission indicated that consideration should be given to increasing the excise tax on General Aviation jet fuel to compensate for the declining revenues resulting from General Aviation gasoline use.

In this year's Annual Report, the Commission is reiterating its recommendation from its 2001 Annual Report that the Legislature and the Administration address aviation system needs by providing a stable source of funding for general aviation. The 2001 recommendations are:

- Provide sufficient revenues through a possible new state sales tax or redirection of a portion of the state sales tax on jet fuel to supplement federal revenues to fund \$20 million in new security enhancements and infrastructure at California's smaller commercial and General Aviation airports throughout the State.
- Provide at least \$5 million in revenues to protect the long-term operational integrity of airports by funding updates of Comprehensive Land Use Plans, which control land uses around existing airports.
- Adopt a long-term investment strategy to provide \$20-40 million per year for safety and capacity improvements at general aviation airports.
- Authorize and fund the Division of Aeronautics to promote better use of existing system capacity through information programs. Marketing convenient alternatives to the congested airports within a reasonable distance of major business destinations would help alleviate runway congestion, as well as highway congestion.
- Authorize and fund the Division of Aeronautics to secure federal grants for smaller airports to insure that California receives the maximum amount of federal funding and use state funds in an expeditious manner

### **Aviation's Importance to California's Transportation System**

Aviation is an important aspect of the State's transportation system. Below are excerpts from the Infrastructure Commission Report, which discusses the need to create regional and statewide authorities to ensure better use of the State's aviation system.

"Access and capacity limitations at our airports threaten the state's position in international trade and tourism. Airport delays have increased significantly in recent years throughout the state. Despite recent capacity additions at many airports, more capacity is still needed and regional expansion plans remain hotly

contested in the Los Angeles, San Francisco and San Diego regions. The Central Valley and rural California are largely unserved by viable air transportation.”

“The global economy, which relies upon reduced inventories and just-in-time production and delivery, has heightened the urgency of an efficient, reliable multi-modal goods movement system. As California moves to regain preeminence in the business of space transportation, special infrastructure needs for production, launch, operation and recovery must be considered.”

“The [Infrastructure] Commission proposes that super-regional airport authorities be created that would report to a statewide aviation authority to plan for more efficient use of existing and new airport capacity. The primary regions could include the Bay Area, Central Valley, Los Angeles basin and San Diego.”

### **Report on Aviation and Economic Development in California**

A persistent problem in dealing with airport system planning and development issues by government agencies is the difficulty in quantifying how aviation impacts the lives of California’s residents and its economy. Aviation’s economic impacts in California were last assessed in 1988 at the Legislature’s request. In late 2001, the Caltrans Division of Aeronautics, using consultants, began obtaining information to analyze aviation’s economic impact on California. TACA participated as part of the advisory group that oversaw the preparation of the report, “Aviation in California: Benefits to Our Economy and Way of Life”. The report made the following findings:

- In 2001, the aviation sector provided 1.7 million jobs (nearly 9%) of the State’s total 19.5 million jobs.
- In 2001, the aviation sector contributed \$110.7 billion out of \$1.3 trillion of the Gross State Product.
- In 2001, California is the most visited state in the country with 12% of the U.S. travel market. Nearly half of all domestic tourists visiting California arrived by air and spent over \$14.5 billion in California.
- In 2000, aviation hauled air cargo valued at \$173 billion.
- In 2000, the aviation sector generated \$250.2 million in annual tax revenue for California through a variety of mechanisms, including personal property taxes, taxable aviation gasoline revenues, taxable aircraft jet fuel, excise tax revenues, possessory interest tax, and sales tax on general aviation aircraft and aviation fuels.
- California has more aerospace manufacturers than any other state. In 2000, according to the California Technology, Trade and Commerce Agency, California’s aerospace industry, consisted of 1,070 firms and employed 170,900 people, and contributed \$28 billion in products to the global marketplace.